latham
The Pool Company

SWIM | Nasdaq Listed

Q4 AND FULL YEAR FISCAL 2021 EARNINGS CALL

MARCH 10, 2022

DISCLAIMER

Forward-looking Statements

Some of the statements contained in this presentation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are generally identified by the use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," "would" and, in each case, their negative or other various or comparable terminology. These forward-looking statements reflect our views with respect to future events as of the date of this release and are based on our management's current expectations, estimates, forecasts, projections, assumptions, beliefs and information. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. All such forward-looking statements are subject to risks and uncertainties, many of which are outside of our control, and could cause future events or results to be materially different from those stated or implied in this document. It is not possible to predict or identify all such risks. These risks include, but are not limited to: secular shifts in consumer demand for swimming pools and spending on outdoor living spaces; slow pace of material conversion from concrete pools to fiberglass pools in the pool industry; general economic conditions and uncertainties affecting markets in which we operate and economic volatility that could adversely impact the Company's business, including the COVID-19 pandemic; changes in access to consumer credit or increases in interest rates impacting consumers' ability to finance their purchases of pools; the impact of weather on the Company's business; the Company's ability to attract new customers and retain existing customers; the Company's ability to sustain further growth and to manage it effectively; the ability of the Company's suppliers to continue to deliver the quantity or quality of materials sufficient to meet the Company's needs to manufacture the Company's products; the availability and cost of third-party transportation services for the Company's products and raw materials; product quality issues; the Company's ability to successfully defend litigation brought against the Company; the Company's ability to adequately obtain, maintain, protect and enforce the Company's intellectual property and proprietary rights and claims of intellectual property and proprietary right infringement, misappropriation or other violation by competitors and third parties; failure to hire and retain qualified employees and personnel; exposure to risks associated with international sales and operations, including foreign currency exchange rates, corruption and instability; security breaches, cyber-attacks and other interruptions to the Company's and the Company's third-party service providers' technological and physical infrastructures; catastrophic events, including war, terrorism and other international conflicts, public health issues or natural catastrophes and accidents; risk of increased regulation of the Company's operations, particularly related to environmental laws and other risks, uncertainties and factors described under the section titled "Risk Factors" in the registration statement on Form S-1 filed with the U.S. Securities and Exchange Commission (the "SEC") by the Company, as well as other filings that the Company will make with the SEC, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in other filings. We expressly disclaim any obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Non-GAAP Financial Measures

We track our non-GAAP financial measures to monitor and manage our underlying financial performance. This presentation includes the presentation of Adjusted EBITDA (including on a last twelve months' basis) and Adjusted EBITDA margin, which are non-GAAP financial measures that exclude the impact of certain costs, losses and gains that are required to be included in our profit and loss measures under GAAP. Although we believe these measures are useful to investors and analysts for the same reasons it is useful to management, as discussed below, these measures are neither a substitute for, nor superior to, U.S. GAAP financial measures or disclosures. Other companies may calculate similarly-titled non-GAAP measures differently, limiting their usefulness as comparative measures. We have reconciled Adjusted EBITDA to the applicable most comparable GAAP measure, net income, throughout this presentation.

Adjusted EBITDA and Adjusted EBITDA margin are key metrics used by management and our board of directors to assess our financial performance. Adjusted EBITDA and Adjusted EBITDA margin are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry, when considered alongside other GAAP measures. We use Adjusted EBITDA and Adjusted EBITDA margin to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other companies using similar measures. We have presented Adjusted EBITDA and Adjusted EBITDA margin solely as supplemental disclosures because we believe they allow for a more complete analysis of results of operations and assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance, such as (i) depreciation and amortization, (ii) interest expense, (iii) income tax (benefit) expense, (iv) loss on sale and disposal of property and equipment, (v) restructuring charges, , (vi) stock-based compensation, (vii) unrealized (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) other and (xi) IPO costs.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP, and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. There can be no assurance that we will not modify the presentation of Adjusted EBITDA and Adjusted EBITDA margin following this offering, and any such modification may be material. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by any such adjustments. In addition, other companies, including companies in our industry, may not calculate Adjusted EBITDA and Adjusted EBITDA margin at all or may calculate Adjusted EBITDA and Adjusted EBITDA margin differently and accordingly, are not necessarily comparable to similarly entitled measures of other companies, which reduces the usefulness of Adjusted EBITDA and Adjusted EBITDA margin as tools for comparison.

Adjusted EBITDA and Adjusted EBITDA margin have their limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Adjusted EBITDA and Adjusted EBITDA margin:

- do not reflect every expenditure, future requirements for capital expenditures or contractual commitments;
- do not reflect changes in our working capital needs;
- do not reflect the interest expense, or the amounts necessary to service interest or principal payments, on our outstanding debt;
- do not reflect income tax (benefit) expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate;
- do not reflect non-cash equity compensation, which will remain a key element of our overall equity-based compensation package; and
- do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations.

Although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA and Adjusted EBITDA margin, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA margin do not reflect any costs of such replacements.

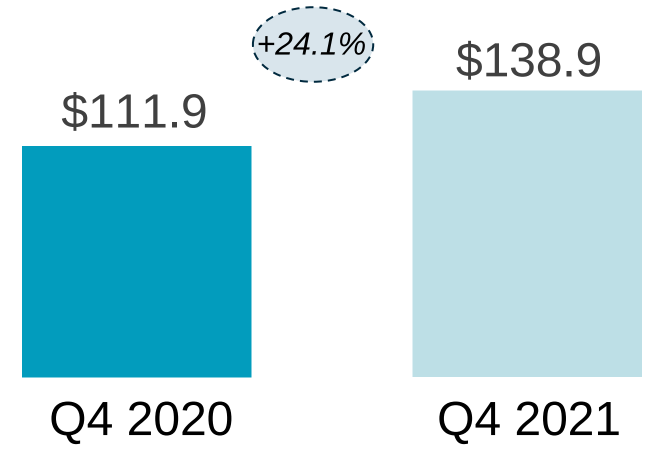
Q4 2021 HIGHLIGHTS

Strong Q4 performance, marking completion of another year of tremendous growth

- Net sales increased 24.1% to $138.9 million with growth across all product lines
- Adjusted EBITDA[1] increased 56.5% to $27.3 million
- Consumer interest and demand in pools remained very strong
- Made significant progress in enhancing our operations and resin supply position during Q4
- Fiberglass production levels and efficiency increased as expected through the end of 2021, with North American fiberglass production increasing over 35% on a sequential basis over Q3'21

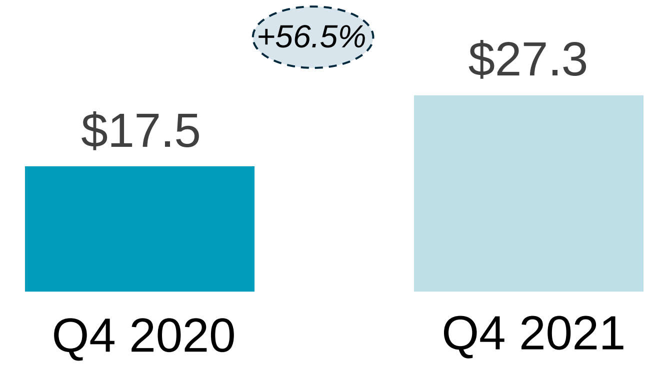
NET SALES

($ IN MILLIONS)



ADJUSTED EBITDA[1]

($ IN MILLIONS)

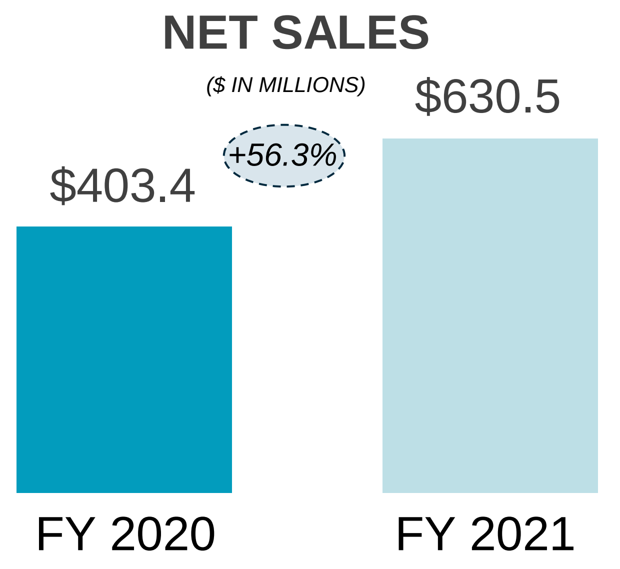


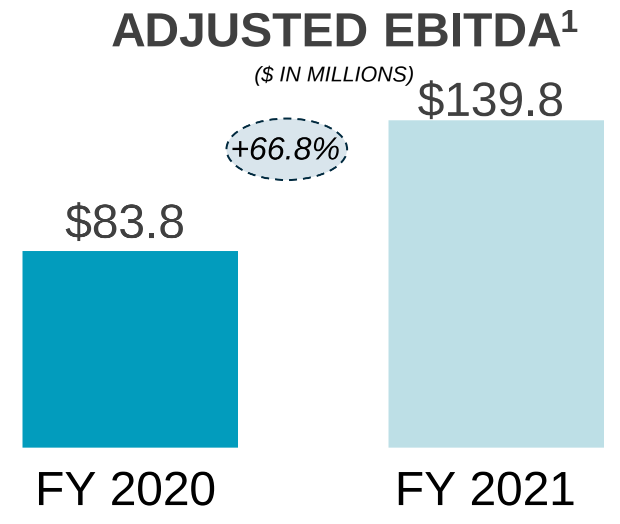
Note:
1. See Appendix for the reconciliation of Adjusted EBITDA to net (loss) income. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.

FY 2021 HIGHLIGHTS

Delivered 12th consecutive year of net sales and Adjusted EBITDA growth and Adjusted EBITDA margin expansion in 2021

- Continued to execute on our growth strategy and invest in capacity
- This enables us to be well positioned to capitalize on the growing consumer demand for pools and to deliver growth across our product portfolio
- Continued to drive material conversion to fiberglass thanks to direct-to-consumer model and digital tools
- Expanded addressable market by adding a new premium-quality product at an attractive price point for homeowners with the acquisition of Radiant Pools, a leading manufacturer of vinyl-lined, aluminum-walled swimming pools





Note:
1. See Appendix for the reconciliation of Adjusted EBITDA to net (loss) income. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.

ENHANCING OPERATIONS TO SUPPORT LONG-TERM GROWTH

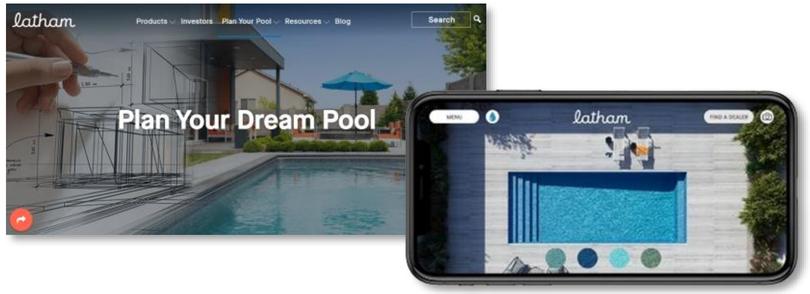
We have remained nimble in an ever-changing operating environment

- Diversified our raw material supply, especially in the resins used in manufacturing our fiberglass pools
- Current resin suppliers have improved fulfillment and we continue advancing dialogues on future year commitments
- In the process of adding new sources to ensure we have plenty of resin support to support growth in 2022 and beyond
- Manufacturing capacity in place to support our planned growth in 2022 and we will continue to add capacity as we prepare for 2023
- Enhanced operational leadership team with the appointment of Sanjeev Bahl as COO
  - Sanjeev comes to Latham with over 20 years of experience in global supply chain and procurement at companies like Newell Brands, Danaher, Stanley Black and Decker and United Technology Corp
  - He will lead Latham's talented operations organization with a focus on continuing to advance our resin and supply chain initiatives, expand our capacity to support our long-term growth, and drive ongoing lean and productivity initiatives throughout the business

STRATEGIC GROWTH INITIATIVES UPDATE

Digital and Brand Initiatives

- Improved search rankings for priority keywords
- Website traffic remains strong while scaling back paid search spending
- Launched new digital tools like My Latham and Price Cost Estimator
- Making continued enhancements to Augmented Reality App, which had 84K downloads through 2021



Fiberglass Conversion

- Continued success in driving awareness and adoption of fiberglass with homeowners and dealers
- Broke ground on new fiberglass facility in Kingston, Ontario in January 2022
    - Production expected to begin in 2023

Dealer Partners

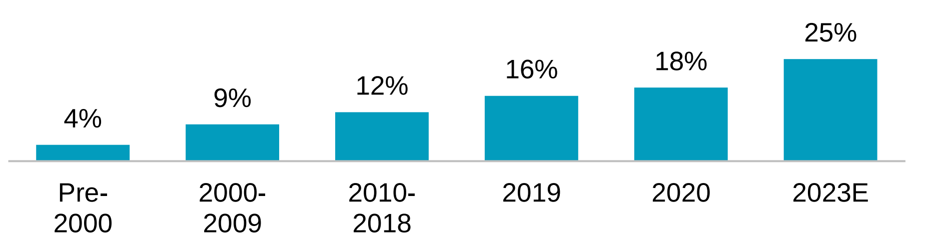
- Seeing continued success in expanding strategic partnerships with exclusive dealers
- Focusing on coaching dealers on how to scale their business to capitalize on the tremendous homeowner demand for pools
- See an opportunity to continue to drive fiberglass penetration, especially in Sand States

STRONG INDUSTRY DYNAMICS AND MOMENTUM IN THE BUSINESS

- Homeowner demand is strong, driven by secular trends like the acceleration of investments in outdoor living and migration to suburban communities
- Latham has established a strong track record of outperforming the industry over the last several years in large part due to success in driving fiberglass conversion
- Continuing to execute on our growth strategy in 2022 and working together with our suppliers and dealers to advance our mission of making high-quality swimming pools an attainable luxury for every homeowner

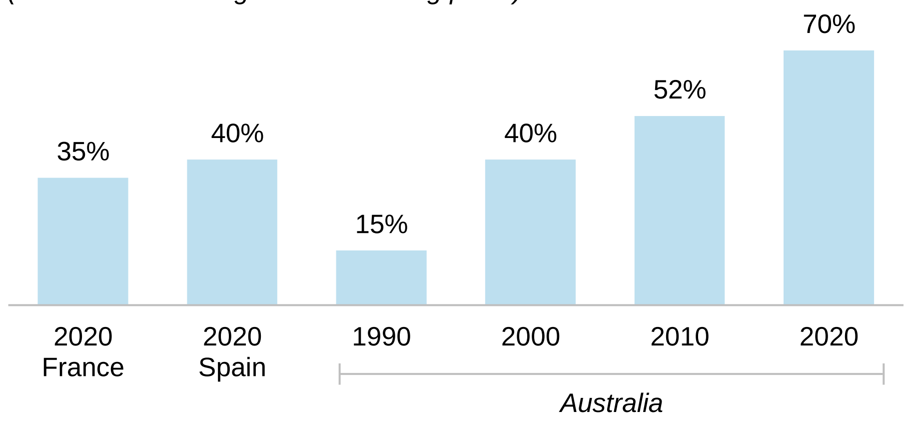
Fiberglass Share of U.S. Pool Installations

(% of residential in-ground swimming pools)



International Fiberglass Market Penetration

(% of residential in-ground swimming pools)

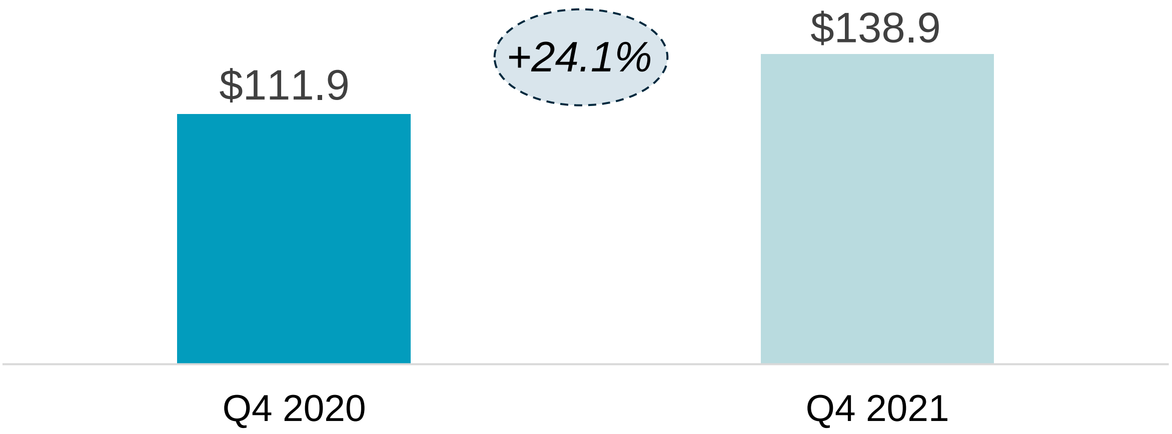


Source: Management's analysis based on information from studies by a third-party research consulting firm commissioned by the Company, management's knowledge as market participants and P.K. Data

Q4 AND FY 2021 FINANCIAL PERFORMANCE

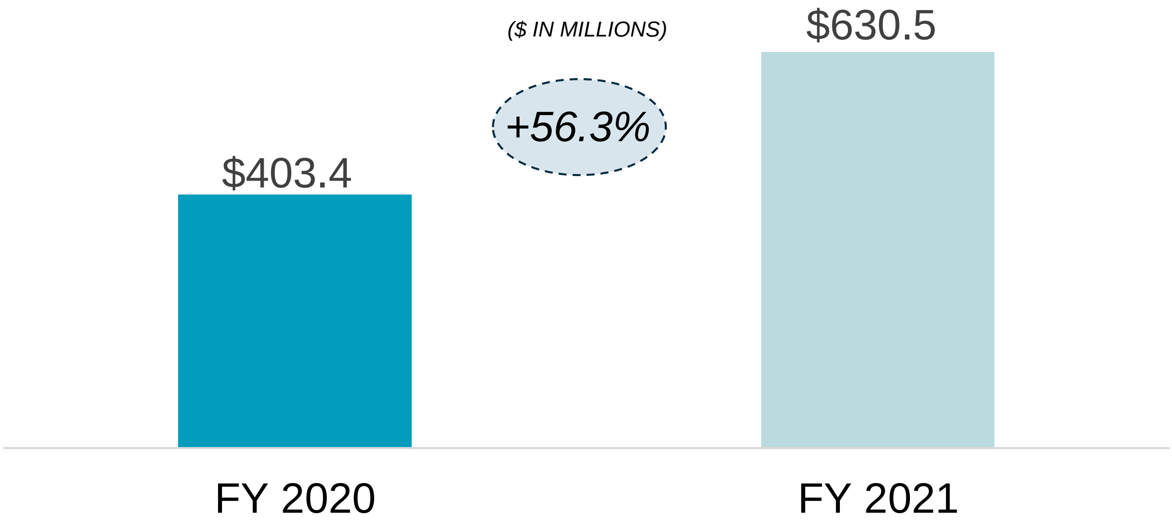
Q4 NET SALES

($ IN MILLIONS)



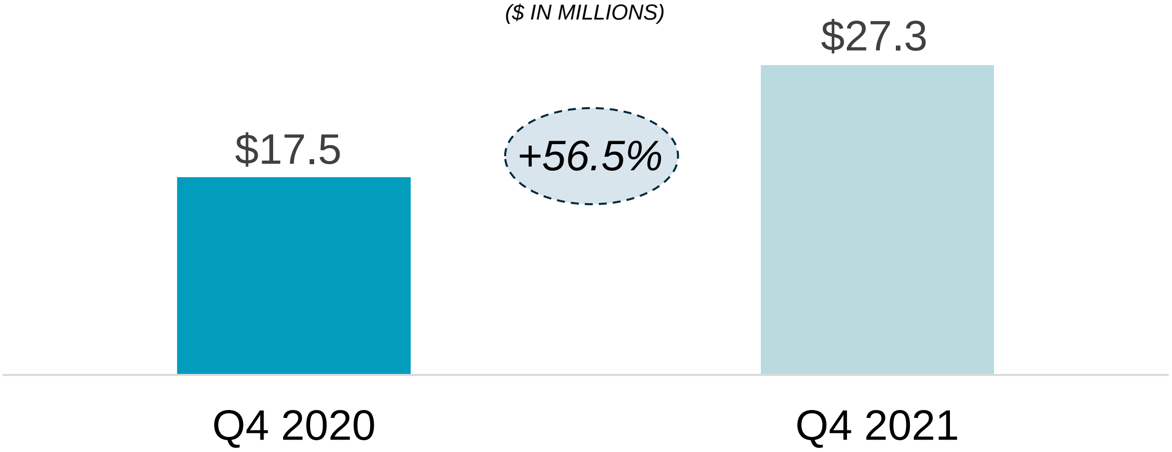
FY NET SALES

($ IN MILLIONS)



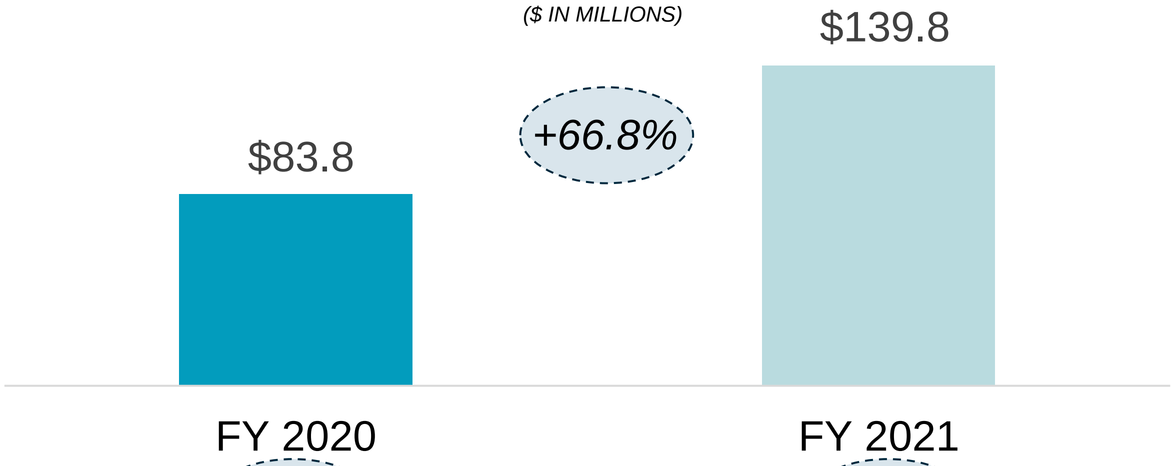
Q4 ADJUSTED EBITDA[1]

($ IN MILLIONS)



FY ADJUSTED EBITDA[1]

($ IN MILLIONS)



% Margin: *15.6%* *19.7%* *20.8%* *22.2%*

Note:
1. *See Appendix for the reconciliation of Adjusted EBITDA to net (loss) income. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.*

CASH FLOW AND BALANCE SHEET

	2020 (in millions)	2021 (in millions)	Key Y/Y Drivers
Net cash provided by operating activities	$63.2	$ 33.7	Investing in working capital to facilitate sales growth
Capital Expenditures	$16.3	$25.0	Fiberglass capacity expansion initiatives
Long-term Debt[1]	$221.5	$280.4	Radiant acquisition
Net Debt Leverage[2]	2.0x	1.7x	66.8% year-over-year Adjusted EBITDA[3] growth vs. 27% year-over-year net debt growth

- Subsequent to quarter end, on February 23, we entered into a Credit Agreement that provides a senior secured term loan facility in an initial principal amount of $325 million and a senior secured revolving line of credit in an initial principal amount of $75 million
- This refinancing further enhances our financial flexibility, reduces our interest expense, increases our borrowing capacity and extends our revolver maturity date into 2027 and term loan maturity date into 2029

Note:
1. *Shown net of unamortized discounts and debit issuance costs.*
2. *Cash and cash equivalents were $59.3 million and $44 million as of December 31, 2020 and December 31, 2021, respectively.*
3. *See Appendix for the reconciliation of Adjusted EBITDA to net (loss) income. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.*

FINANCIAL OUTLOOK

FISCAL 2022 OUTLOOK[1]

Net sales
$850 million to $880 million

Adjusted EBITDA
$185 million to $205 million

Capital Expenditures
$45 million to $60 million

KEY DRIVERS:

- Continued investments in outdoor living and the backyard and strong consumer demand for our products
- Execution of strategic initiatives, including our unique direct-to-homeowner model and our efforts to drive the material conversion to fiberglass
- Significant progress in navigating supply chain and raw material-related headwinds and the realization of the benefits of our pricing actions
- Expecting to deliver Q1’22 net sales between $170 and $180 million
- Continued capacity investments to support fiberglass growth

THREE TO FIVE YEAR TARGETS[2]

Net Sales Growth
10% to 12%

Adjusted EBITDA Growth
12% to 15%

Adjusted EBITDA Margin
+500 bps

KEY DRIVERS:

- Our consumer-driven strategy, as evidenced by our proven ability to generate sales qualified leads
- Material conversion from concrete to manufactured pools, particularly fiberglass
- Latham’s capacity investments
- Our disciplined approach to price and cost management

Note:

1. *Represents guidance given by the Company as of March 10, 2022. These are forward-looking statements. See “Forward-looking statements” on page 2 of this presentation. A reconciliation of Latham’s projected Adjusted EBITDA to net income is not available due to uncertainty related to our future income tax expense.*
2. *These are goals/targets and are not projections. These are forward-looking statements, which are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. Nothing in this presentation should be regarded as a representation by any person that these goals/targets will be achieved. See “Forward-looking statements” on page 2 of this presentation.*

LATHAM: A COMPELLING GROWTH STORY

- Serving a large and attractive market benefitting from material conversion
- The leading consumer brand in the residential pool market
- Unique direct-to-homeowner model driving business for our dealer partners
- Broadest portfolio of branded products known for quality, durability and aesthetics
- Broad reach, regulatory expertise and technological capabilities create significant competitive advantages
- Multiple levers to continue to drive growth across our platform
- Visionary management team with proven track record of execution


The center of your backyard lifestyle.
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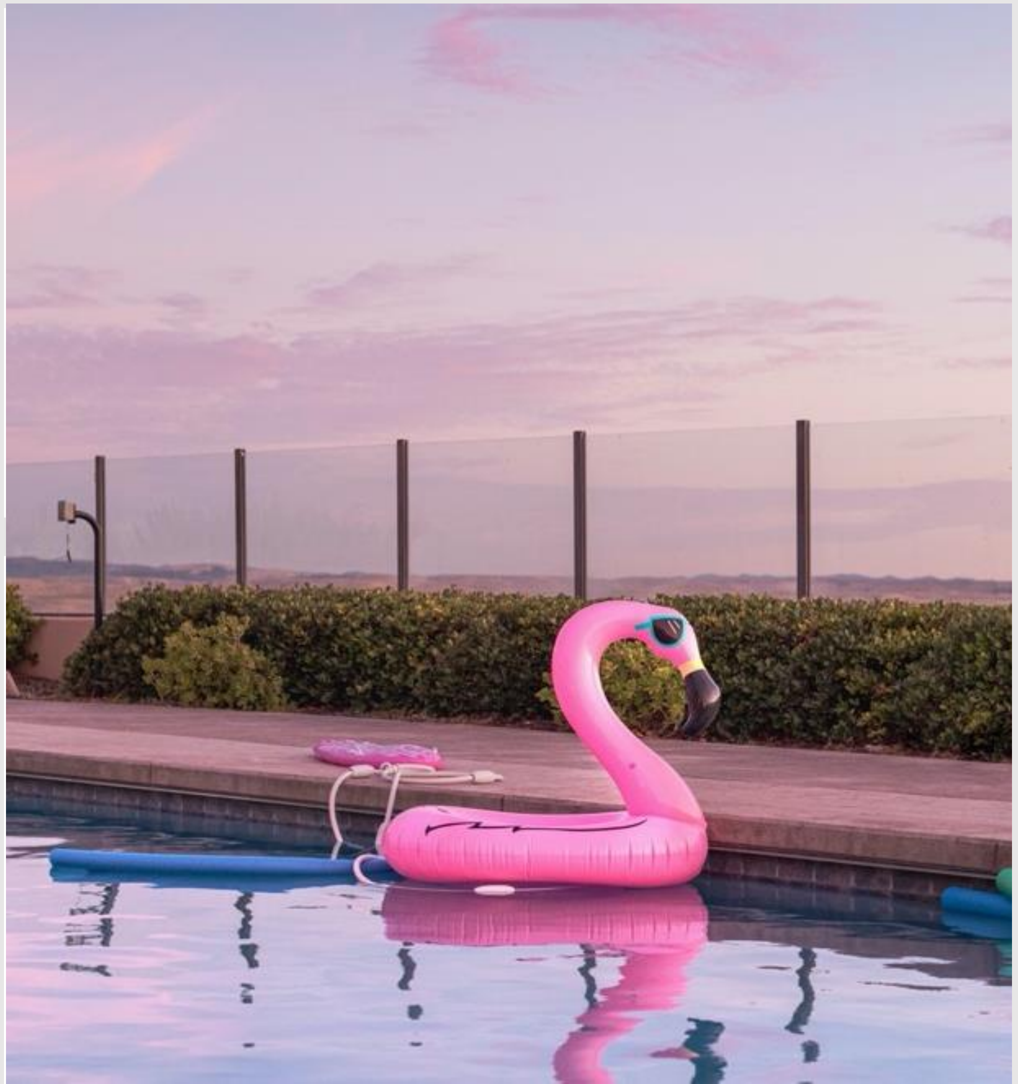
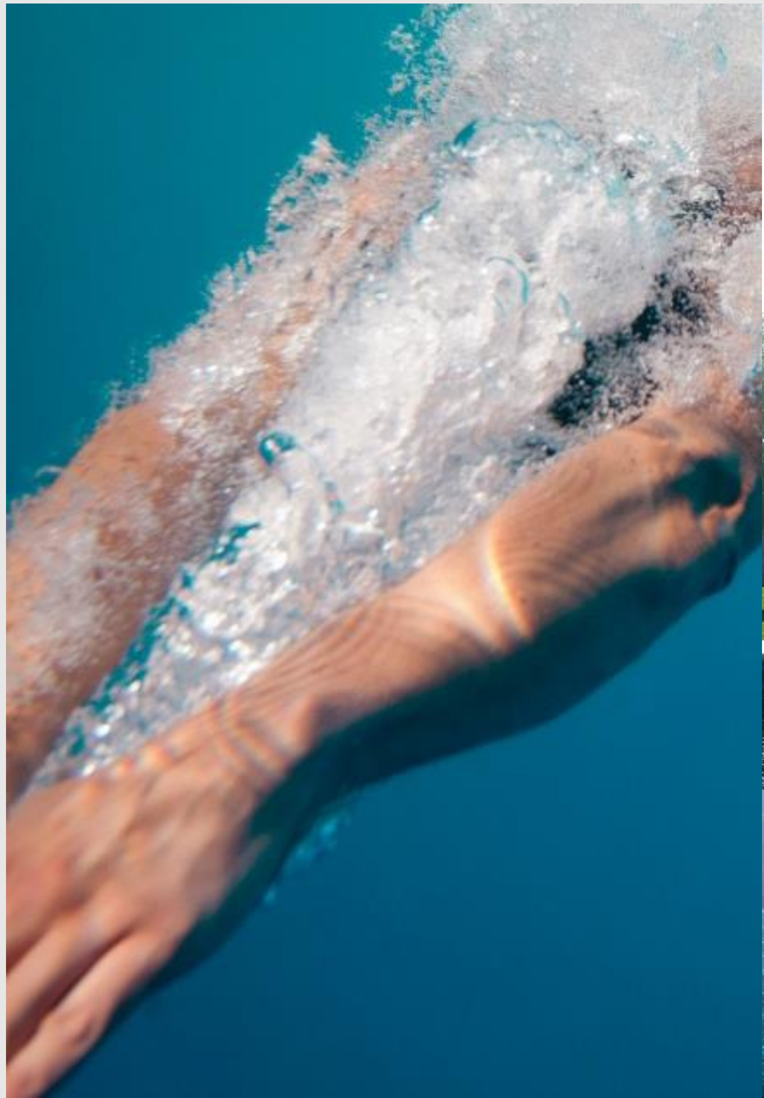
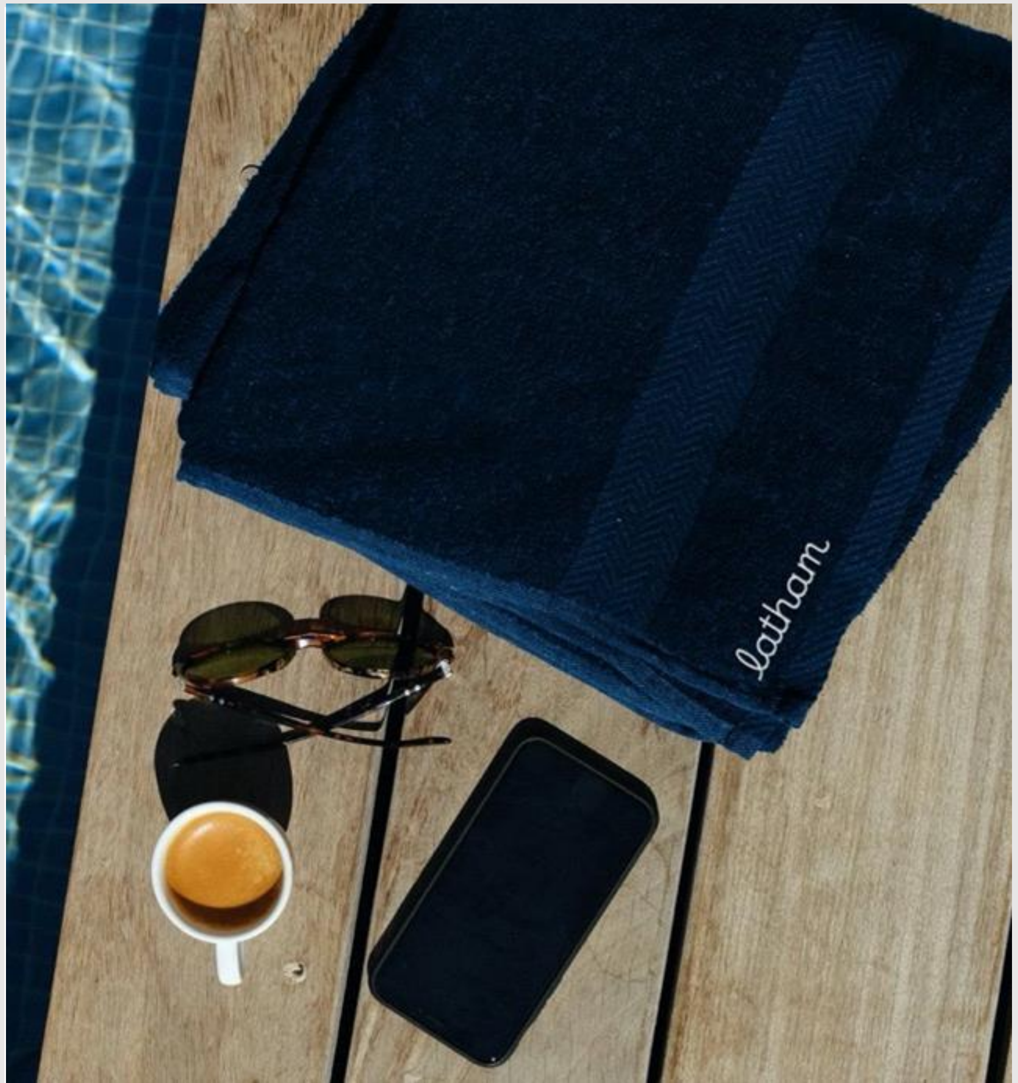
Q&A

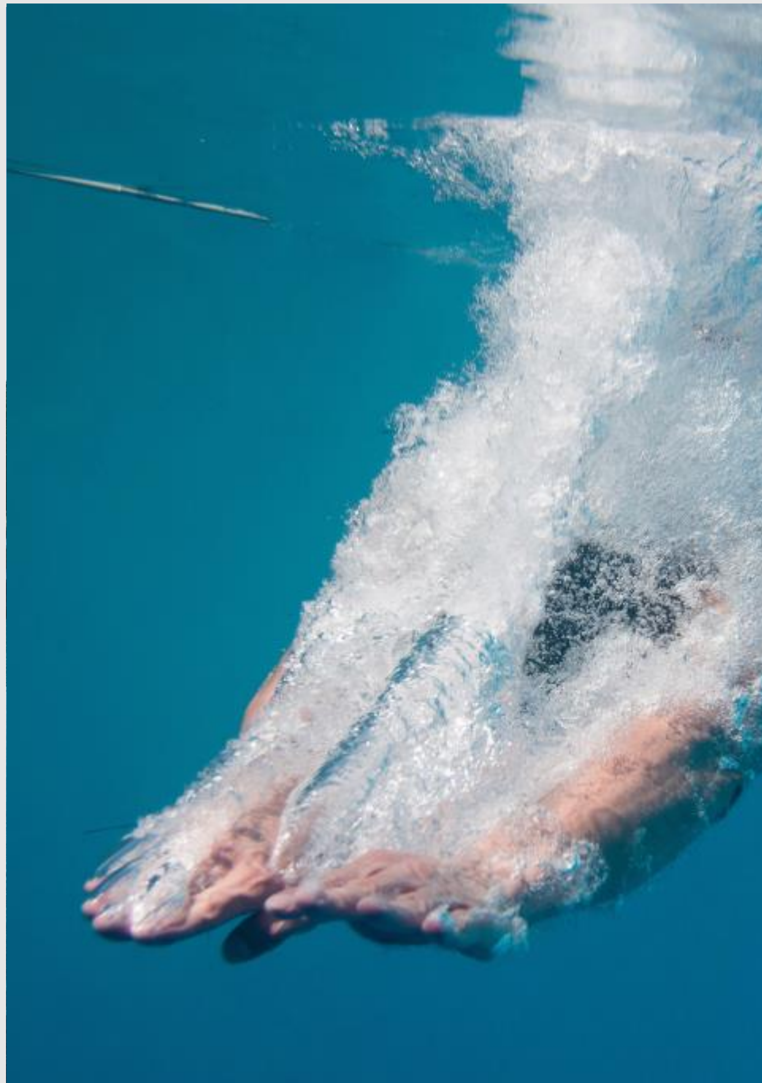

latham
The Pool Company





APPENDIX





NON-GAAP RECONCILIATIONS

(in thousands)	Fiscal Quarter Ended		Fiscal Year Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net (loss) income	$ (5,987)	$ (2,720)	$ (62,348)	$ 15,983
Depreciation and amortization	8,541	7,904	32,230	25,365
Interest expense	3,590	4,618	24,433	18,251
Income tax (benefit) expense	(7,090)	(1,475)	8,818	6,776
Loss on sale and disposal of property and equipment	50	121	275	332
Restructuring charges[(a)]	123	433	906	1,265
Stock-based compensation[(b)]	24,197	385	128,775	1,827
Unrealized (gains) losses on foreign currency transactions[(c)]	203	(2,299)	1,151	(1,111)
Strategic initiative costs[(d)]	1,377	2,567	2,531	6,264
Acquisition and integration related costs[(e)]	3,198	5,225	3,576	5,497
Other[(f)]	(858)	985	(4,484)	1,656
IPO costs[(g)]	-	1,731	3,956	1,731
Adjusted EBITDA	$ 27,344	$ 17,475	$ 139,819	$ 83,836
Net sales	138,864	111,921	630,456	403,389
Net (loss) income margin	(4.3%)	(2.4%)	(9.9%)	4.0%
Adjusted EBITDA margin	19.7%	15.6%	22.2%	20.8%

(a) Represents severance and other costs for our executive management changes.

(b) Represents non-cash stock-based compensation expense.

(c) Represents foreign currency transaction (gains) and losses associated with our international subsidiaries and changes in the fair value of the contingent consideration recorded in connection with the acquisition of Narellan Group Pty Limited and its subsidiaries, which was settled in September 2020.

(d) Represents fees paid to external consultants for our strategic initiatives.

(e) Represents acquisition and integration costs primarily related to the acquisitions of GLI and Radiant, the equity investment in Premier Pools & Spas, as well as other costs related to potential transactions.

(f) Other costs consist of other discrete items as determined by management, primarily including (i) fees paid to external advisors for various matters, (ii) the cost incurred and insurance proceeds related to our production facility fire in Picton, Australia in 2020, (iii) non-cash adjustments to record the step-up in the fair value of inventory related to the Acquisition and, the acquisitions of GLI and Radiant, which are amortized through cost of sales, (iv) gain on sale of portion of equity method investment, and (v) other items.

(g) These expenses are primarily composed of legal, accounting and professional fees incurred in connection with the IPO that are not capitalizable, which are included within selling, general and administrative expense.